

SEC59-B

Page 1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-13388-A
KIK INTERACTIVE)

SUBJECT: LIVE Audio Lookout bitcoin, Kik is the new
 digital currency in town.avi

PAGES: 1 through 6

VIDEO TRANSCRIPTION

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Page 2

PROCEEDINGS

MR. LIVINGSTON: Digital currency allows us to create a fundamentally new way to monetize. I think, historically, you build a community and use it to then sell people's attention to advertisers or try to sell them stuff that they either don't want or don't need.

So now with the cryptocurrency, it unlocks a fundamentally new way to monetize the community. So instead you're just bringing people together, creating a place where they can create value for each other transacting in a new cryptocurrency, and that alone is enough to make a great financial return.

INTERVIEWER: What exactly are they transacting? And how do you make money by people using Kin.

MR. LIVINGSTON: So this is something we've been experimenting with, actually, since 2014 when we launched Kik Points. And so there's a bunch of ways to earn it. You could watch ads, you could host a great group chat, create a great sticker, build a great bot. And so there's all these different ways as a consumer you can come in and build spend value. And how that makes money for Kik is we create (inaudible) set some of that aside for us such that if more and more people transact in this cryptocurrency, the value of it grows

Page 3

such that the value of our holdings grow as well.

INTERVIEWER: So you have, according to a usage study -- this was done, granted, in May 2016, so this might be a little dated, but AYT Market Research - 5.8 percent of U.S. internet users use Kik. 38.9 percent of respondents use Facebook Messenger. So is this -- are you hoping that more people will sign onto Kik thinking, hey, Kik's got this cool Kin currency, and it's a way of transacting and making some money, and so therefor I'm going to do that, and you see that 5.8 percent number grow?

MR. LIVINGSTON: So I think this is not just a new way to monetize a community, but it's also a new way to compete. I think the real challenge that ourselves as a top 100 app and under developers of spaces, it's getting increasingly difficult to compete with these huge, centralized companies. You know, they're the only ones that have the necessary scale to monetize through everything -- advertising. So they give everything else away for free. So as a developer, you know, you don't have the scale to monetize through advertising, and you also live in this world where consumers expect everything for free. So this is also a new way to build a new ecosystem where we can use this cryptocurrency and create a rewards engine to pull in other developers, to

Page 4

build great services --

INTERVIEWER: Sure.

MR. LIVINGSTON: -- for consumers.

INTERVIEWER: It's sort of like a chicken-and-egg problem, though, Ted, in that you've got a finite number of users right now using Kik. A certain percentage of those, a smaller percentage presumably, would Kin, and because of that, because you're only creating certain amounts of this cryptocurrency, the trading could be -- I mean I don't know if there's going to be trading on this, but this could be a very volatile cryptocurrency. I mean we saw in the early days of bitcoin where it would go up and down in crazy ways. And right now bitcoin does the same, except that the volumes traded on bitcoin are much, much greater than, say, three years ago.

MR. LIVINGSTON: So I think this was the real thing we were trying to prove with Kik Points, is could we create this digital economy, this digital currency when, instead of having to buy the currency, you could earn it. So every day, millions of people would come together and earn the currency so that you've created this little digital economy. People are earning it, people are spending it.

INTERVIEWER: So you could never transfer --

Page 5

MR. LIVINGSTON: So they don't really care.

INTERVIEWER: -- that money to dollars, and so, therefore, the only way to use this money is to actually transact. And so if the community is very small, then your options for using that earned money are limited, correct? Is that -- am I getting it?

MR. LIVINGSTON: So I think the unique thing about Kik is we've led innovation in the space. We're the first chat to become a platform in 2011. And with our bot platform, we were the first ones to launch in 2014. We've become one of the biggest platforms out there. So over 2,000 bots have been created on Kik. So we have millions of users, hundreds of thousands of bots, and so we think we'll have a really thriving ecosystem all running on top of this cryptocurrency.

INTERVIEWER: All right, Ted.

(End of audio file.)

Page 6

1 I, Maria E. Paulsen, hereby certify that the foregoing
2 transcript is a complete, true and accurate
3 transcription of all matters contained on the recorded
4 proceedings in the matter of KIK INTERACTIVE.
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8 Transcriber
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